

ARTICLE APPEARED
ON PAGE 1

WALL STREET JOURNAL
23 January 1984

Security Loophole

East Bloc Businessmen Freely Come and Go In U.S. Defense Areas

Soviet Citizens Are Barred, But Polish Firm Worked For Military Contractors

Case of Marion Zacharski

By JIM DRINKHALL

Staff Reporter of THE WALL STREET JOURNAL

The U.S. government sternly bars Soviet citizens living in the U.S. from going anywhere near its key defense areas, but it has turned a curiously blind eye toward such visits by businessmen from the Soviet Union's Eastern European satellites—even though some of them later turned out to be spies.

The Reagan administration, obviously concerned about the leakage of military technology to the Soviets, in November modified an already lengthy list of restricted areas like Las Vegas (because of its proximity to the top-secret Nevada nuclear test site) to include other places like the high-tech Silicon Valley, south of San Francisco. Yet, despite this tightening move, representatives from trading companies set up by Soviet satellites remain free to come and go in these areas as they please.

Moreover, trading companies owned by the satellite nations, unlike those owned by the Soviet Union, don't have to be registered with the federal government and have to comply only with local and state laws where they are based. Thus, Amtorg Trading Corp., the big Soviet trading firm, files lists of its employees with the Justice Department under the Foreign Agents Registration Act, but East Bloc nations are exempt from the act, a Justice Department lawyer says.

Controls over business enterprises set up in the U.S. by the satellite countries are so loose that the Commerce Department doesn't even have a very clear idea of how many such companies there really are. It estimates that there are a dozen trading companies in the U.S. owned by Poland alone, but it isn't certain.

Seeming Inconsistency

A State Department spokesman refused to comment on the reasons for the seeming inconsistency in the government's security

precautions against Soviet citizens and the lack of them against businessmen from the satellite countries. However, it's likely that international political considerations are a factor; President Reagan frequently has castigated the Soviet Union for its worldwide political ambitions, while the administration's public posture toward the satellites has been far more lenient.

Nevertheless, Rear Adm. E.A. Burkhalter Jr. of the Central Intelligence Agency believes that all of the East Bloc trading companies "provide cover for intelligence collection operations." Since East European espionage is tightly controlled by the KGB, the Soviet Union's intelligence service, U.S. officials say, most of the material that is gathered by the satellites' spies ends up in Moscow.

Representatives from East Bloc trading companies, of course, are subject to the security provisions set up by U.S. defense contractors themselves, but, as another top CIA official warned recently, "the security provided by commercial firms is no match for foreign spies."

On the basis of debriefing interviews he has conducted with more than 200 defectors from Soviet Bloc nations, Miles Costick, formerly a Yugoslavian intelligence officer and currently a national-security consultant to the Reagan administration, singles out Polish trading companies particularly as "a ring of espionage to siphon out commercial and military secrets for the Soviets."

The Zacharski Case

Just how extensively one Polish trading company was able to breach the security of the U.S. defense establishment is revealed in the investigatory files prepared for the trial of Marion W. Zacharski, a Polish spy, in 1981 in Los Angeles federal court. Mr. Zacharski was convicted and sentenced to life in federal prison, but hundreds of pages of grand-jury testimony and FBI reports concerning his activities were never used in his trial. This material, which recently became available, shows how Mr. Zacharski and his representatives routinely visited the plants of top U.S. defense contractors such as Rockwell International Corp., Lockheed Corp. and the Garrett Corp. unit of Signal Cos., as well as the atomic test center itself.

On the surface at least, the visits were legal. The Poles were working for Polish-American Machinery Corp., better known as Polamco, a Polish-government-owned trading company of which Mr. Zacharski was president. It was set up in 1976 to import Polish machine tools and equipment into the U.S. Currently, the firm is based in Elk Grove Village, Ill., next to Chicago's O'Hare Airport, and has offices in seven U.S. cities. In 1982, according to Polamco, the company had a loss of \$5.1 million on sales of \$11.7 million.

FBI

State
dent,
submi
Zacha
sorrow
respon
payers

Polamco employees "are now or have ever been under investigation" as far as he knows. Any allegations that the company is a "front" for spying are "absurd," the letter says.

Nevertheless, as long ago as 1977 the FBI's counterintelligence unit in Chicago believed that Polamco was doing more than selling machinery. In federal grand-jury testimony in 1981, an FBI agent with 16 years' experience chasing spies said that four years earlier the FBI had identified "some" Polamco employees as "intelligence officers."

In particular, the agent said, the bureau took notice when Mr. Zacharski, then 27 years old, left Chicago in 1977 to run the company's Los Angeles office. In February 1979, according to grand-jury testimony and FBI reports, the bureau was told by the CIA that Mr. Zacharski was receiving classified documents concerning U.S. weapons from an employee of Hughes Aircraft Co. in Los Angeles. The tip came from a CIA double agent who was a top officer in Warsaw of the Sluzba Bezpieczenstwa, the Polish intelligence service, according to government documents and law enforcement officials.

From then on, the FBI began 2½ years of virtual around-the-clock court-authorized electronic and physical surveillance of Mr. Zacharski, according to FBI reports. Despite this constant vigilance, the more than 2,500 pages of wiretap and surveillance logs show no evidence that Mr. Zacharski broke any law except a traffic law once in a while when he tried to evade the FBI agents who were tailing him.

The eavesdropping does show Mr. Zacharski as an engaging, polished individual, fluent in five languages and with a finely tuned sense of American ways. He was also more than a match for the dozens of FBI agents who tried to snare him. Echoing the professional admiration of FBI agents in the case, Robert Brewer, the former federal prosecutor who convicted Mr. Zacharski, describes him as "a very well-trained and highly motivated intelligence agent."

The Polish spy's downfall was caused by the testimony of William Holden Bell, 63, the Hughes Aircraft radar expert who was subverted by Mr. Zacharski. Over a three-year

CONTINUED